Maretno Agus Harjoto (Augus), Ph.D.

FINC 614-11

FINANCE

FALL 2015

FULL TERM

MONDAY, 1:00 P.M. – 5:00 P.M.

ROOM P1

MALIBU CAMPUS

SYLLABUS
FINANCE
FINC 614-11
FALL 2015

MONDAY, 1:00 p.m. – 5:00 p.m.
Malibu Campus – Classroom P1

Professor: Maretno Agus Harjoto (Augus), Ph.D.
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E-mail address: maretno.harjoto@pepperdine.edu
Fax: (310) 506-4126
Office Hours: MONDAY, WED, THURS, 11:00AM – 12PM or after 5PM, or Via Email (No office hours from 12pm to 1pm due to lunch)

Introduction
Welcome to our corporate finance course. I am excited to interact with you in our corporate financial management course. Understanding corporate finance is important whether you hold a financial position in a firm or not. You make financial decisions every day and the theories/practices/techniques you learn in this class can be applied to your personal decisions.

I want to clearly state that this course is taught using the “flipped lecture” method at which you are required to watch pre-lecture videos prior to coming to class. The flipped lecture is an instructional method at which the typical basic lecture and homework (exercises) elements of a course are done by students at their own time prior to coming to class. To be successful in this class, you must watch and understand both Youtube and Screencast pre-lecture videos for the assigned chapters and complete the assigned homework problems and practice quiz problems on your own before coming to class. The in class quizzes are structured to give you the first feedback to indicate how much you have learned from video recordings, assigned homework problems, and in class lecture. You are expected to demonstrate your understanding of the topics orally and in written through a in class discussions and firm valuation report. Exams are designed to evaluate your comprehensive understanding in all exercises and assignments. Be ready to work extremely hard in our course! Exams usually take over 4 hours long.

Class materials and links to pre-lecture videos are posted in the Courses under Resources folder. If you are not familiar with Courses, please look at Courses Tutorial prior to class. In addition, I strongly recommend that you bring a laptop with excel and a financial calculator to class. I will expect you to use Excel and financial calculator when you work on some problems. If you are not familiar with the basics of Excel, please review them before class begins.

Course Description
This course introduces the student to the major issues in finance as a corporate financial manager. The complexities of financial valuation and decision making are explored by examining the primary areas of concern to the financial manager: the investment or
capital budgeting decision, the financial strategy or capital structure question, and risk and return issues. Specific topics include time value of money, valuation of financial instruments, capital structure, dividend policy, international financial management, and introduction to options. This class also emphasizes the importance of corporate governance, ethical decisions, and creating value for all stakeholders.

Student Learning Outcomes
The objective of this course is to introduce students to the theory and practice of financial decision-making. At the conclusion of the course, students should be able to demonstrate managerial level decision making in the following areas:

1. The role of a corporation and business ethics to satisfy all its stakeholders
2. Forecasting financial statements and calculating the cost of capital
3. Applying compounding & discounting in finance using Excel
4. Identifying and measuring stand alone and portfolio risk
5. Computing valuation of stocks, bonds, and the intrinsic value of a public firm based on discounted cash flow (DCF) method
6. Assessment of alternative source of financing: debt, equity, and hybrid financing
7. Evaluating investment opportunities through capital budgeting methods
8. Demonstrating oral communication skill through in class discussions
9. Demonstrate written communication skill through written report of a group firm valuation report

Total Directed Instruction Hours: 60 hours (a 4-unit class)

Texts and Course Materials
Publisher: South-Western College Pub; 14th edition (January 23, 2013)
ISBN-10: 1111972206
I strongly recommend you to rent or buy used textbook (the least cost)

Grading
The grade distribution and weighting method are as follows:
Please pay careful attention with this grade distribution. No extra credit and no round up.

<table>
<thead>
<tr>
<th>Grade distribution</th>
<th>Assignments</th>
<th>weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>= 95% - 100%</td>
<td>Quizzes</td>
</tr>
<tr>
<td>A -</td>
<td>= 92% - 94.99%</td>
<td>Group Firm Valuation Report</td>
</tr>
<tr>
<td>B+</td>
<td>= 88% - 91.99%</td>
<td>Midterm exam</td>
</tr>
<tr>
<td>B</td>
<td>= 85% - 87.99%</td>
<td>Final exam</td>
</tr>
<tr>
<td>B -</td>
<td>= 81% - 84.99%</td>
<td>Total:</td>
</tr>
<tr>
<td>C+</td>
<td>= 78% - 80.99%</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>= 74% - 77.99%</td>
<td></td>
</tr>
<tr>
<td>C -</td>
<td>= 70% - 73.99%</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>= Below 70%</td>
<td></td>
</tr>
</tbody>
</table>

Note:
The class Grade Point Averages (GPA) for Finance (FINC614) cannot exceed 3.4. I will announce the class mean and median after Midterm exam and before Final exam.
Quizzes
During the first hour of each class session (except the first day of class and class after midterm exam), a quiz problem covering the material from pre-lecture videos, homework assignments, practice quiz problems, and class lecture from the previous week class is conducted. Each quiz is worth 10 points and there are 10 (ten) quizzes in the semester. If you miss a quiz, you must notify the professor immediately to receive an alternative problem or makeup quiz within 48 hours after the quiz is given or you will receive zero points on your quiz score. Makeup quiz problems are always harder than in class quiz problems.

Firm Valuation – Group Project Report
During your Financial Accounting course, you selected a public company for analysis. Using the same company, you will forecast expected free cash flows generated by the company over the next 2 years and the infinite life of the firm using its past 2 years performance, estimate the appropriate risk-adjusted discount rate (WACC) based on its capital structure (including stock repurchase/dividend policy and additional fund needed), and use discounted free cash flow technique to value the firm. There are 6 (SIX) groups in the class and a maximum of 6 students and a minimum of 4 students in one group. The last chance to this project is NOVEMBER 23rd (one week before your final exam). No late submission will be accepted.

Exams
There will be one mid-term and one final exam given during the course. Due to the nature of the material we are studying, concepts introduced early in the course will be an integral part of topics covered later in the course. Therefore, the final exam will be comprehensive to some degree. While final exam will be more heavily weighted with material found in chapters covered during the last half of the course, it may also cover concepts taught earlier in the course. You will be expected to be able to integrate all the material covered during the term. For both exams and quizzes, you will be given formula sheets from the back of your textbook (Appendix C page 1077-1089). Formula sheets are uniform across all students and you cannot write additional formulas on the formula sheets and you cannot bring your own formula sheets. You are required to submit back the formula sheets with your exams and quizzes. Please get familiarize with terms and symbols used on the formulas stated in the back of your textbook Appendix C page 1077-1089. Exams usually take 4 hours long.

Attendance Policy
Class attendance is expected. If a class must be missed, the student is expected to notify the professor at least 12 hours prior to the class. If quiz/exam was given that day, the student must arrange for a make-up exercise immediately.

Class Notes
Power point slides of the class lecture outlines and pre-lecture videos will be available on Courses at least five days prior to the class. However, in-class lectures are not available in electronic or hardcopy. Therefore, you are responsible to take notes from in-class lectures on a hardcopy or the electronic form on your own or borrow from your
classmates if you miss a class. Recording class lectures is allowed with the instructor’s permission. Unless any students object to recording, instructor assumes all students enrolled in the class approve for in-class recording.

**Suggested Problems/Practice Quizzes**

Lean by doing is the best way to understand Finance. I suggest you work the following problems in each chapter and practice quizzes with your classmates. The answers are in Appendix B (you may want to start with the Self-Test Problems which are solved in Appendix A). They will not be handed in or graded, and we will not go over them in class. But, they will help you to complete firm valuation project, quizzes, and exams. Please see Tentative Schedule of Classes, Assigned Homework Problems, and Quiz Schedule for your assigned problems in each chapter.

**Conduct**

This course may require electronic submission of essays, papers, or other written projects through the plagiarism detection service Turnitin (http://www.turnitin.com). Turnitin is an online plagiarism detection service that conducts textual similarity reviews of submitted papers. When papers are submitted to Turnitin, the service will retain a copy of the submitted work in the Turnitin database for the sole purpose of detecting plagiarism in future submitted works. Students retain copyright on their original course work. The use of Turnitin is subject to the Terms of Use agreement posted on the Turnitin.com website. You may request, in writing, to not have your papers submitted through Turnitin. If you choose to opt-out of the Turnitin submission process, you will need to provide additional research documentation and attach additional materials (to be clarified by the instructor) to help the instructor assess the originality of your work.

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
Otherwise unprotected behavior that disrupts the classroom environment.

Theft or damage to property.

Violation of civil or criminal codes of local, state, or federal governments.

Unauthorized use of or entry into University facilities.

Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.

**Suspension** – separation of the student from the University for a specified length of time.

**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.”  

GSBM Catalog, page 13.

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**Policy on Disabilities**

**Assistance for Students with Disabilities**

The Disability Services Office (DSO) offers a variety of services and accommodations to students with disabilities based on appropriate documentation, nature of disability, and academic need. In order to initiate services, students should meet with the Director of the DSO at the beginning of the semester to discuss reasonable accommodation. If a student does not request accommodation or provide an official “Accommodation Letter” from the DSO, the faculty member is under no obligation to provide accommodations. You may contact the Director of Disability Services at (310) 506-6500. For further information, visit the DSO Web site at: [http://www.pepperdine.edu/disabilityservices/](http://www.pepperdine.edu/disabilityservices/).

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**Tentative Schedule of Classes, Assigned Problems, and Assigned Presentations**

**BASED ON 14TH EDITION OF TEXTBOOK (We are using 14th Edition textbook)**

(Chapters)  (Assigned Homework is “Problems” except Chapters 1 and 13 refers to Questions)

<table>
<thead>
<tr>
<th>WEEK</th>
<th>Topic</th>
<th>Assigned Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1 (AUG 24th)</td>
<td>Intro to Finance &amp; Corp. Governance</td>
<td>1, 13.5: pp. 538-547</td>
</tr>
<tr>
<td>(Chapter 1)</td>
<td>(Questions: 1-2, 1-3, 1-4)</td>
<td>Free Cash Flows</td>
</tr>
<tr>
<td>(Chapter 13)</td>
<td>(13-1, 13-2, 13-4)</td>
<td>Corp. Governance</td>
</tr>
<tr>
<td>(Chapter 2)</td>
<td>(2-3, 2-6, 2-7, 2-11, 2-12)</td>
<td>Fin. Statements</td>
</tr>
</tbody>
</table>

Week 2 (AUG 31st)  Financial Statement Analysis  Ch. 3, 12

AT THE BEGINNING OF CLASS 2: QUIZ 1: Ch. 1, 13, 2

(Chapter 3)  (3-1, 3-2, 3-5, 3-6, 3-7, 3-8, 3-9, 3-11, 3-13)

(Chapter 12) (12-1, 12-3, 12-4 12-5)

Week 3 (SEP 7th)  Time Value of Money  Ch. 4

NO CLASS DUE TO LABOR DAY HOLIDAY – REVIEW PRE-LECTURE VIDEO
ONLINE/TAKEHOME QUIZ 2: Ch. 3, 12

(Chapter 4) (4-1, 4-3, 4-5, 4-7, 4-8, 4-12, 4-16, 4-19, 4-28)

Week 4 (SEP 14th) Risk and Return Ch. 6, 25
AT THE BEGINNING OF CLASS 4: QUIZ 3: Ch. 4

(Chapter 6) (6-1, 6-3, 6-5, 6-6, 6-8, 6-9, 6-14 (use excel for 6-14))
(Chapter 25) (25-1, 25-3, 25-4, 25-5)

Week 5 (SEP 21st) Bond and Stock Valuation Ch. 5, 7
AT THE BEGINNING OF CLASS 5: QUIZ 4: Ch. 6

(Chapter 5) (5-1, 5-2, 5-3, 5-7, 5-8, 5-11, 5-12, 5-13)
(Chapter 7) (7-2, 7-4, 7-5, 7-7, 7-10, 7-11, 7-12, 7-13)

Week 6 (SEP 28th) Long-term/ Hybrid Financing Ch. 20
AT THE BEGINNING OF CLASS 6: QUIZ 5: Ch. 5, 7

Week 7 (OCT 5th) Mid Term Exam Ch. 1, 13, 2, 3, 12, 4, 6, 5, 7, 20
OCT 12th – NO CLASS TO ACCOMMODATE THANKSGIVING HOLIDAY

Week 8 (OCT 19th) Capital Budgeting Ch. 10

(Chapter 10) (10-7, 10-8, 10-10, 10-14, 10-16, 10-20, 10-21, 10-22)

Week 9 (OCT 26th) Cost of Capital Ch. 9
AT THE BEGINNING OF CLASS 9: QUIZ 6: CH. 10

(Chapter 9) (9-1, 9-2, 9-4, 9-10, 9-12, 9-15, 9-16)

Week 10 (NOV 2nd) Capital Structure Ch. 15, 26
AT THE BEGINNING OF CLASS 10: QUIZ 7: CH. 9

(Chapter 15) (15-2, 15-3, 15-7, 15-9, 15-11, 15-12)
(Chapter 21) (21-1, 21-2, 21-3, 21-6, 21-7, 21-8)

Week 11 (NOV 9th) Dividends (Repurchases) & Working Cap Ch. 14, 16
AT THE BEGINNING OF CLASS 11: QUIZ 8: CH. 15, 26

(Chapter 14) (14-2, 14-4, 14-6, 14-8, 14-10)
(Chapter 16) (16-1, 16-6, 16-9, 16-14)
Week 12 (NOV 16th)  Multinational Financial Management  Ch. 17
AT THE BEGINNING OF CLASS 12:  QUIZ 9: CH. 14, 16
(Chapter 17)  (17-3, 17-5, 17-6, 17-10, 17-14)

Week 13 (NOV 23rd)  Financial Options & Real Options  Ch. 8, 26
AT THE BEGINNING OF CLASS 13:  QUIZ 10: CH. 17
GROUP FIRM VALUATION REPORT IS DUE
(Chapter 8)  (8-1, 8-3, 8-4, 8-6)
(Chapter 26)  (26-1, 26-5)
PRACTICE QUIZ 11: CH. 8, 26 WILL BE DISCUSSED AT THE END OF CLASS

Week 14 (NOV 30th)  Final Exam  Comprehensive (Not cumulative)
This schedule may change and any changes in the above schedules will be announced in class and in the Courses. * Chapters 1 and 13 have assigned “Questions” (no “Problems”)